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Proceedings of the 11th Annual Integrated Crop
Management Conference

Dec 2nd, 12:00 AM

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Brown, Susan; Frieberg, Dan; DeJong, Joel; Kassel, Paul; and Kuhn, Kevin, "Integrated Crop Management Services Selling Advice for Profit" (1999). *Proceedings of the Integrated Crop Management Conference*. 28.
<https://lib.dr.iastate.edu/icm/1999/proceedings/28>

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INTEGRATED CROP MANAGEMENT SERVICES SELLING ADVICE FOR PROFIT

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Introduction

Some progressive Iowa dealers are developing comprehensive, fee-based integrated crop management (ICM) services that increase profitability for their own businesses as well as for their customers' operations. More commonly, dealers provide crop management services free in support of product sales, but these services are limited in scope and generally involve diagnosing and reacting to problems. In contrast, the principal focus of fee-based ICM services is on field-by-field planning from a systems perspective (Brown et al, 1995). ICM aims to manage (avoid or control) nutrient and pest problems, if possible, not just rescue the crop once a problem has occurred. ICM services also provide recommendations on manure management, timing, varieties, equipment and other aspects of the client's operation where profit-limiting variables can be identified and refined.

Demonstration projects carried out by Iowa State University Agronomy Extension since 1988 have documented that producers' profits, including increased production, reduced inputs and other costs avoided, from ICM services average two to three times more per acre than the cost of the services. Such services have also been termed "pollution prevention services" in an Environmental Working Group study (W. L Hoffman, 1993) because of their potential to reduce agricultural nonpoint source water pollution through refined management of soil, chemical and energy inputs. Producers face increasing management demands associated with both environmental regulation and quality control for specialty crops. ICM services can make dealers valuable partners to help them meet these demands. ICM encompasses many types of site-specific information that can be used to increase profitability of crop production. Precision agriculture has helped to demonstrate the increasing value of information in this sector as a product that can be sold.

A Public-Private Partnership to Demonstrate ICM Services

The Agribusiness Integrated Crop Management Project¹ is a publicly funded effort aimed at demonstrating the business opportunity of fee-based ICM services and increasing their availability to Iowa producers. Business planning, marketing and agronomic assistance has been made available through the project to northwest Iowa dealers seeking to develop the capacity to deliver reliable, profitable ICM services to their customers. Lessons learned from the project are being incorporated into Extension agribusiness education programs.

Eleven dealers participated in the project, completing various stages of development and implementation of fee-based services. A number of other Iowa dealers have also worked with the project business consultants. Setting up an ICM service is a major paradigm shift for dealers, and many potential difficulties were anticipated. Comparison of the experiences of cooperating dealers has provided insights into which difficulties have the most impact in practice, and has helped provide a picture of the elements that predict successful service businesses. Table 1 is a brief overview of these elements.

Some difficulties are easy to predict. For example, small dealers may simply lack the customer base or cash flow to initiate services. An ICM service needs dedicated staff and can't be successful if the leader is pulled away to other tasks at critical times in the growing season. However, there is also a great difference in success rates even for large dealers that clearly have the necessary resources of cash flow, agronomy expertise and clientele. Most large dealers, both cooperatives and independents, also have management that understands the need for pursuing new opportunities. Yet some of them have succeeded with services and some have not.

In the Agribusiness ICM Project, the early-adopters, aggressive businesses that were first to join the project have remained committed to developing fee-based services. They continue to refine their original service models and expand covered acreage. Both they and their customers are very happy with the results. On the other hand, dealers that were recruited into the project by staff during the first and second years have generally not been successful. An early observation that has been confirmed by repeated experience is the great difference in ability of different businesses to "sell" the value of fee-based service - not just to their customers but within their own organizations. This has led the project to increasingly focus on the elements of motivation, leadership and business culture as the keys to selling advice for profit.

¹ The Agribusiness ICM Project is a public-private sector cooperative effort supported by Iowa State University Extension (ISUE), USDA Cooperative State Research Education and Extension Service (CSREES), the USDA Natural Resources Conservation Service in Iowa (NRCS), the Iowa Department of Agriculture and Land Stewardship-Division of Soil Conservation (IDALS), the Iowa Department of Natural Resources Environmental Protection Division (IDNR), the U.S. EPA Region VII, the University Hygienic Laboratory of the University of Iowa, and the Iowa Agriculture and Home Economics Experiment Station. The Agribusiness Association of Iowa assisted in organizing the project.

Table 1. Overview of business characteristics related to successful development of ICM services.

<u>Characteristics</u>	<u>What works</u>	<u>What doesn't</u>
Size	Large, multi-location. Can recruit 20,000 A. or more of service business from among largest 5% or less of all customers.	Too small. Inadequate customer base. Not enough cash flow to put one individual full-time as service provider.
Organization	Private or locally held. Management is more likely to take risks, be entrepreneurial.	Cooperatives. Mergers are interfering with long-term planning. "Culture" of cooperation makes it difficult for one individual to have a new and very different role (of service provider).
Internal Advocates	Management and key agronomy staff.	Lack of management support. Lack of support from key sales agronomists.
Service coordinator	Agronomist who is also able to "sell" the program to customers - can understand their individual management concerns, and describe specific examples of profit-limiting variables.	Services coordinator unable to "sell" the program .
	Management willing to assign full-time staff in first "trial" year.	Staff pulled away at critical times for other jobs.
	Experienced agronomist who already has customers' trust is willing to take the assignment.	Existing top agronomists unable to lay "free advice" customer demands aside, or unwilling to take assignment. New hires or younger staff may not have customers' trust.
Vision of the business.	Sells on service. Understands the value of becoming the customers' "trusted advisor", compensates top advisors.	Sells on price. Unable to break out of philosophy of being low-cost supplier. Staff salaries too low.
	Interest in fee-based services is self-generated. Business seeks assistance.	Business is recruited. Managers may understand change is needed but cannot make commitment.
Link to Precision Ag	Dealer understands information is becoming a "product" that can be profitably sold.	Dealer sees precision ag as means to sell more of existing products.
	Build program around consulting agronomist and make technology their tools.	Build program around technology and try to make people superfluous.

A Successful ICM Service

This large, independent retailer has multiple outlets in a 10 county area. They have built their reputation on good overall customer service. The management team wanted to develop a fee-based service business and hired consultants to help organize it. They assigned their top sales agronomist to lead the service, freed him from other responsibilities, and 'protected' him from demands of other customers. This agronomist was well respected, highly experienced, and enthusiastic about the service. He took the lead in "selling" the concept to his peers and customers. The service charged \$7/A. for a complete program and easily signed up \$200,000 of business in their first year. In the second year the acreage increased nearly 50%. Younger, capable agronomists are also used to cover soil sampling and many field observations, but the ICM leader personally visits every farm and does each year's planning with every customer.

Extremely variable soils in the area have played an important role in their initial business strategy. To successfully sell services the business must identify manageable profit-limiting variables in customers' operations, then address those variables with progressively refined practices. Most producers treat all of a field the same, and many treat all their fields in one crop the same. The obvious value of taking differing soil yield potentials into account is one reason many dealers have become interested in variable rate fertilizer application. However, variable soils also present many other opportunities to fine-tune practices such as timing, variety selection, tillage and pest management strategies on a part-field basis.

Depending on the customer's current practices, some of these changes can significantly increase profits. The ICM service works with the producer to determine practical approaches, which will be unique to each operation. The ICM provider builds a "trusted advisor" relationship with each customer, and over time is able to identify and manage an increasing number of profit-limiting variables by taking into account the unique aspects of each farm's soil and financial resources, equipment and operator skill and experience.

A principal reason this business has been successful is that the senior agronomist in charge knows how to sell the value of advice - the core of ICM services as a new business paradigm. Cultural recommendations are a good example. Most dealers only make recommendations related to their products. This business decided that the first field visit made by the service would be at planter startup, a time when the typical dealer might think there was "nothing to see" in terms of potential product sales, but when farmers are highly concerned about getting off to a good start. The customers welcomed their support.

As a result, the ICM service leader spent a lot of time observing customers plant their crops. He told the business consultant that it took a big commitment on the part of the company to allow him to do that while his coworkers were spending fourteen hours a day on custom fertilizer application. One day, he found himself insisting that a client "park" his planter until the next morning because the field was too wet. Several other customers received the same advice. At harvest, yield maps demonstrated the value of the recommendation.

Roadblocks

In contrast, some dealers have been unable to get fee-based services started successfully. In general these businesses are large, commodity-oriented cooperatives whose long-term success has been driven by strategic advantages in commodities (grain movement). While they have individual agronomists who are highly respected by customers, they have not built their business overall on a "trusted advisor" relationship, but rather on being the low-cost, high-volume supplier. Selling advice for profit does not fit their traditional business model.

Cooperative management, who are likely to be more conservative and less entrepreneurial, are also discouraged because fee-based services have not been around long enough in Iowa to have a large number of successful examples. Managers know they must change, but are locked into a commodity "mind set" and do not see ICM as fundamentally different from the services currently provided free in support of product sales. They may focus on services like grid soil sampling, because it can be sold on a quantity basis - the commodity model they are familiar with. However, when grid sampling is sold on the basis of lowest cost per acre, rather than increasing the price to include the rest of the package of field-specific nutrient management planning and recommendations, it is not profitable for either the customer or the dealer.

Offering customers a menu of services as they offer a menu of products is another error. Pest scouting is a good example. Because pest problems in Iowa are highly variable from year to year, in any given crop season this service by itself may have no value that can be shown to the customer. But a comprehensive service that includes field visits over the entire cropping season and recommendations over the entire management operation, as for the example in the last section, will easily find ways to demonstrate value for the service every year.

Finally, for commodity-oriented dealers, successful new service ventures are hampered by the lack of incentives for employees to risk change. Pay scales in these businesses are typically lower than in service-oriented businesses, and it is hard for agronomy managers to justify hiring an ICM service provider at nearly the same wage they are earning. It is also hard for staff to see one of their peers treated differently, and not working beside them at the busiest times of year. But the dedicated leadership of an experienced, highly qualified agronomist who also has excellent "people skills" has been absolutely essential. An ICM service must not only provide good advice, but must be able to sell the value of good advice - to the customer, to management, to the sales staff - in order to be successful.

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